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annual report

FIFTY-EIGHTH ANNUAL REPORT • NINETEEN SEVENTY

DIRECTORS

R.H. DAVIES

President, Sangamo Electric Company

HON. G. B. FOSTER, M.B.E., Q.C.

Chairman of the Board
Canada and Dominion Sugar Co. Ltd.

C. H. LANPHIER

Chairman of the Board
Sangamo Electric Company

J.A. McDOUGALD

President and Chairman of the Board
Argus Corporation Limited

G. E. ROBERTSON

Former Vice-Chairman of the Board

J. M. TORY, Q.C.

Partner, Tory, Tory, DesLauriers and
Binnington, Solicitors

C. E. VANCIL

Vice-President
Sangamo Electric Company

A. E. VAN CLIEAF

Vice-President and General Manager
Sangamo Company Limited

OFFICERS

R. H. DAVIES, President

A. E. VAN CLIEAF, Vice-President and
General Manager

J. LOGAN, Secretary-Treasurer

P. GREIG, Vice-President

J. H. BERRY, Controller and Assistant
Secretary

SHARES LISTED

The shares of the Company are listed on the Canadian Stock Exchange, Montreal, Quebec. Transfers of shares at the Head Office of the Company, Toronto, and Montreal Branch Office.

ANNUAL MEETING

Annual Meeting of Shareholders is to be held on April 29th, 1971,
at the Head Office of the Company
215 Laird Drive, Toronto 352, Ontario, Canada.

FINANCIAL HIGHLIGHTS

	1970	1969
Net Sales	\$11,797,316	\$14,093,851
Profit (Loss) Before Extraordinary Items	555,149	349,576
Profit (Loss) Per Share Before Extraordinary Items	3.06	1.93
Net Profit (Loss)	555,149	(210,424)
Net Profit (Loss) Per Share	3.06	(1.16)
Expenditure for land, bldgs., machinery and equipment	220,877	208,470
Depreciation	186,672	384,296
Shareholders' equity	4,053,609	3,679,672
Shares outstanding at end of period	181,212	181,212
Book value per share	22.37	20.31
Working Capital	3,789,653	2,163,594
Current ratio	3.7:1	1.6:1

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LETTER TO THE SHAREHOLDERS:

Net earnings in 1970 amounted to \$555,149 representing \$3.06 per share. In 1969 earnings before extraordinary items amounted to \$349,576 or \$1.93 per share. After provision for extraordinary items, 1969 resulted in a net loss of \$210,424 or \$1.16 per share.

Total sales of \$11,797,000 in 1970 were comprised of \$10,783,000 for the Power Equipment Division and \$1,013,000 for the Motor Division. Sales for the Motor Division represent sales for January and February only as the Motor Division was sold February 27, 1970. Sales were \$14,094,000 in 1969, \$7,784,000 of which were Power Equipment sales. The 38% increase in 1970 Power Equipment sales over 1969 was largely attributable to two factors, an increase in export sales of metering products manufactured by the Company and the resale of communications equipment imported from the parent company, Sangamo Electric Company.

In the domestic market two new product lines were added to the Sangamo "K" meter family. New singlephase combination demand and energy meters for commercial applications were introduced in mid-year and the new low profile singlephase watthour meters entered the market in the latter part of the year. The introduction of these two new product lines marked the culmination of a Canadian design-engineering programme started in

1965. The Sangamo "K" family, with seven basic lines and over 600 specifications, now offers Canadian utilities the most modern and versatile family of meters available for the measurement of any residential, industrial or commercial load.

The Canadian designed "C" polyphase watthour meters and combination meters, which were introduced to the export market in 1968 and 1969 respectively, contributed to the substantially increased sales in export markets.

A new line of instrument transformers was also introduced to the domestic market during the year 1970, to further enhance the Company's current strong position with the utility industry in instrument transformers.

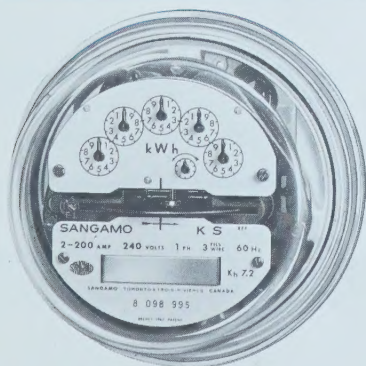
It is expected that the introduction of these new products and the use of more modern manufacturing and test equipment will assist the Company to maintain its current excellent position in domestic and export markets and to provide for improved productivity.

The Directors and Officers wish to express their appreciation to all employees for their continued efforts and loyalty throughout the year.

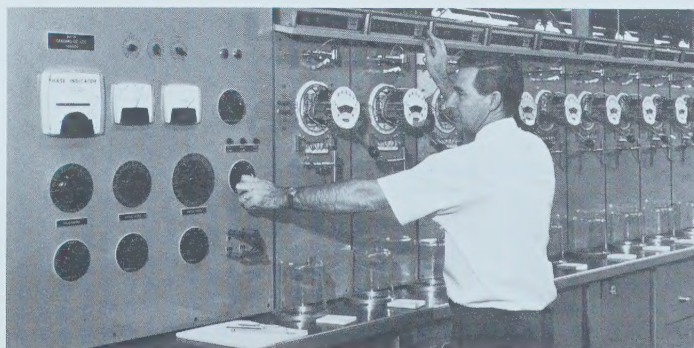
Respectfully submitted,

R.H. Davies, *President*,

March 3, 1971.



KS Low Profile Singlephase Watthour Meter



KWS meters during calibration test on new Multi-station Electronic Test Console with Automatic Digital Readout.

SANGAMO COMPANY, LIMITED *(Incorporated under the laws of Canada)* **BALANCE SHEET**

ASSETS	1970	1969
Current		
Accounts receivable	\$1,228,436	\$2,030,857
Inventories, at the lower of cost and net realizable value —		
Raw materials, work in process and finished parts	2,087,759	1,664,184
Finished goods	628,299	672,959
	<u>2,716,058</u>	<u>2,337,143</u>
 Recovery on sale of Motor Division assets (note 1)	 938,600	 950,000
Tender and performance deposits	217,125	197,125
Prepaid expenses	70,437	44,611
Total current assets	<u><u>\$5,170,656</u></u>	<u><u>5,559,736</u></u>
 Estimated recovery on sale of Motor Division assets due after one year (note 1)		950,000
Land and buildings of Motor Division held for disposal (note 1)	413,526	410,552
 Fixed:		
Land — at cost	236,662	236,662
Buildings, machinery and equipment — at cost	4,613,799	
Less accumulated depreciation	<u>3,645,627</u>	<u>892,982</u>
	<u>1,204,834</u>	<u>1,129,644</u>
 Other:		
Unamortized debenture discount	60,784	65,882
	<u><u>\$6,849,800</u></u>	<u><u>\$8,115,814</u></u>

(See accompanying notes to financial statements)

On behalf of the Board

SHEET *December 31, 1970 (with comparative figures at December 31st 1969)*

LIABILITIES AND SHAREHOLDERS' EQUITY	1970	1969
Current:		
Bank indebtedness	\$ 631,452	\$1,687,611
Accounts payable and accrued charges	632,839	1,215,585
Estimated income taxes payable	49,940	
Funded debt due within one year		10,000
Payable to parent company	66,772	132,946
Provision for costs and operating losses on discontinuance of the Motor Division (note 1)		350,000
Total current liabilities	1,381,003	3,396,142
 Funded debt due after one year:		
6% Secured Sinking Fund Debentures, Series "A" due December 15, 1982 (note 3).	1,263,000	1,400,000
Deferred income taxes	152,188	(360,000)
Total liabilities	2,796,191	4,436,142
 Shareholders' equity:		
Capital —		
Authorized:		
200,000 common shares of no par value		
Issued:		
181,212 common shares	505,135	505,135
Retained earnings	3,548,474	3,174,537
	<u>4,053,609</u>	<u>3,679,672</u>
	 <u>\$6,849,800</u>	 <u>\$8,115,814</u>

(See accompanying notes to financial statements)

. H. DAVIES Director
. E. VAN CLIEAF Director

SANGAMO COMPANY, LIMITED
STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1970 (with comparative figures for 1969)

	1970	1969
Net sales (note 1)	\$11,797,316	\$14,093,851
Less:		
Cost of sales excluding depreciation	9,030,668	11,148,119
Selling, general and administrative expenses	1,329,513	1,745,873
Depreciation (note 2)	186,672	384,296
Interest on funded debt	81,314	85,987
	<u>\$10,628,167</u>	<u>13,364,275</u>
Profit before income taxes and extraordinary items	1,169,149	729,576
Income taxes (note 4)	614,000	380,000
Profit before extraordinary items	555,149	349,576
Extraordinary items:		
Estimated loss on discontinuance of motor operations (after income tax reductions of \$690,000) (note 1)		(610,000)
Income tax reduction resulting from losses carried forward from preceding year		50,000
Net profit (loss) for year	555,149	<u>(210,424)</u>
Retained earnings, beginning of year	3,174,537	3,384,961
	<u>3,729,686</u>	<u>3,174,537</u>
Dividends paid during year	181,212	
Retained earnings, end of year	<u>\$ 3,548,474</u>	<u>\$ 3,174,537</u>
Earnings per share:		
Profit before extraordinary items	<u>\$3.06</u>	<u>\$1.93</u>
Net profit (loss) for year	<u>\$3.06</u>	<u>\$(1.16)</u>

(See accompanying notes to the financial statements)

SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1970 (with comparative figures for 1969)

	1970	1969
Source of funds:		
Operations	\$ 1,230,649	\$ 1,119,318
Sale of motor division	950,000	
	<u>2,180,649</u>	<u>1,119,318</u>
Application of funds:		
Payment of dividends	181,212	
Additions to fixed assets net of disposals	233,404	201,271
Redemption of long term debt	137,000	75,000
Sale of the motor division		1,626,124
Addition to land and buildings held for disposal	2,974	
	<u>554,590</u>	<u>1,902,395</u>
Increase (decrease) in working capital	1,626,059	(783,077)
Working capital beginning of year	2,163,594	2,946,671
Working capital end of year	<u>\$ 3,789,653</u>	<u>\$ 2,163,594</u>

(See accompanying notes to financial statements)

SANGAMO COMPANY, LIMITED

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 1970

1. The company sold its motor business and related equipment and inventories on February 27, 1970 for \$1,877,200. \$938,600 was received in 1970 and the remaining \$938,600 is due on February 27, 1971. One of the buildings of the motor division at Guelph has been leased to the purchaser until February 27, 1972 and will be sold as opportunities arise on completion of the lease. The other building has been listed for sale. The buildings are being carried on the balance sheet as of December 31, 1970 at net book value of \$413,526 which approximates estimated realizable value.

The estimated loss on the sale of these assets and a provision for the costs and operating losses of the motor division during January and February 1970 have been included in 1969 as an extraordinary item in the amount of \$610,000, after income tax reductions of \$690,000. Accordingly, the 1970 statement of income includes the sales and costs of operating the motor division to February 27, 1970 less the operating loss which was recognized in the prior year.

2. Depreciation is calculated using the straight-line method applied to the estimated useful lives of assets, substantially as follows:

Asset type	Estimated service life	1970	1969
Buildings	20 and 40 years	\$ 29,455	\$ 44,866
Machinery and equipment:			
General	10 and 15 years	64,689	149,048
Tools and dies	3 years	92,528	190,382
Total provided		\$186,672	\$384,296

Depreciation in 1970 includes \$28,458 for the motor division to February 27, 1970.

3. The provisions of the Trust Deed require the purchase or redemption of \$75,000 annually of the 6% Secured Sinking Fund Debentures. As at December 31, 1970 the company had delivered to the trustee \$137,000 in debentures in excess of the 1970 sinking fund requirement which are available to be applied against the sinking fund commitments due in 1971 and 1972.

4. Income taxes charged against current years operations include deferred tax of \$512,188 in 1970 and \$380,000 in 1969.

5. The following information is provided as required under section 120B of the Canada Corporations Act 1970:

- (a) Remuneration paid to 8 directors, as directors, totalled \$4,000 in both 1970 and 1969;
- (b) Remuneration paid to 5 officers, as officers, totalled \$127,566 in 1970 and \$131,091 in 1969.
- (c) Two officers of the company are also directors.

AUDITORS' REPORT

To the Shareholders of Sangamo Company, Limited:

We have examined the balance sheet of Sangamo Company, Limited as at December 31, 1970 and the related statements of income and retained earnings and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of Sangamo Company, Limited at December 31, 1970 and the results of its operations and the source and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Young, Clarkson, Gordon & Co.
Chartered Accountants
Toronto, Canada, February 5, 1971.

SANGAMO PRINCIPAL PRODUCTS

ELECTRICAL METERING EQUIPMENT

Singlephase Watthour Meters
Polyphase Watthour Meters
Singlephase Demand Energy Meters
Polyphase Demand Energy Meters
Polyphase Demand Meters
Low Voltage Current Transformers
Low Voltage Potential Transformers
Metering Units
Test Consoles

OTHER MANUFACTURED PRODUCTS

Meteorological Radiosondes
Lamb Electric Vacuum Motor Units

PRINCIPAL RESALE PRODUCTS

SANGAMO Amperehour Meters
Electronic Communication Equipment
Tachographs and Time Switches
HD Electric Test Instruments
TESCO Meter Accessories
LAMB ELECTRIC Universal Motors

SANGAMO

HEAD OFFICE: 215 LAIRD DRIVE, TORONTO 352, CANADA

Plants: Toronto, Trois Rivières.

Sales Offices: Vancouver, Calgary, Winnipeg, Thunder Bay,
Montreal, Halifax, Saint John, N.B., St. John's, Nfld.